

Combined Utility System Fund  
For the period ended July 31, 2004  
(amounts expressed in thousands)

|  | Unaudited<br>Preliminary<br>FY2004 | Adopted<br>Budget | Current<br>Budget | FY2005<br>YTD    | Controller's<br>Projection | F&A<br>Projection |
|--|------------------------------------|-------------------|-------------------|------------------|----------------------------|-------------------|
| <b>Operating Revenues</b>                |                                    |                   |                   |                  |                            |                   |
| Water Sales                              | \$ 265,384                         | \$ 311,068        | \$ 311,068        | \$ 25,411        | \$ 311,068                 | \$ 311,068        |
| Sewer Sales                              | 257,860                            | 299,253           | 299,253           | 24,407           | 299,253                    | 299,253           |
| Penalties                                | 4,150                              | 3,741             | 3,741             | 384              | 3,741                      | 3,741             |
| Other                                    | 4,561                              | 4,360             | 4,360             | 386              | 4,360                      | 4,360             |
| Total Operating Revenues                 | <u>531,955</u>                     | <u>618,422</u>    | <u>618,422</u>    | <u>50,588</u>    | <u>618,422</u>             | <u>618,422</u>    |
| <b>Operating Expenses</b>                |                                    |                   |                   |                  |                            |                   |
| Personnel                                | 115,538                            | 122,241           | 122,241           | 10,101           | 122,241                    | 122,241           |
| Supplies                                 | 25,392                             | 26,007            | 26,007            | 1,267            | 26,007                     | 26,007            |
| Electricity and Gas                      | 38,919                             | 47,169            | 47,169            | 3,058            | 47,169                     | 47,169            |
| Contracts & Other Payments               | 75,818                             | 96,621            | 96,621            | 2,104            | 96,621                     | 96,621            |
| Total Operating Expenses                 | <u>255,667</u>                     | <u>292,038</u>    | <u>292,038</u>    | <u>16,530</u>    | <u>292,038</u>             | <u>292,038</u>    |
| Operating Income (Loss)                  | <u>276,288</u>                     | <u>326,384</u>    | <u>326,384</u>    | <u>34,058</u>    | <u>326,384</u>             | <u>326,384</u>    |
| <b>Nonoperating Revenues (Expenses)</b>  |                                    |                   |                   |                  |                            |                   |
| Interest Income                          | 13,461                             | 5,161             | 5,161             | 440              | 5,161                      | 5,161             |
| Sale of Property, Mains and Scrap        | 596                                | 508               | 508               | 180              | 508                        | 545               |
| Other                                    | 70,832                             | 7,863             | 7,863             | 0                | 7,863                      | 7,863             |
| Impact Fees                              | 0                                  | 14,000            | 14,000            | 0                | 14,000                     | 14,000            |
| CWA & TRA Contracts (P & I)              | <u>(31,454)</u>                    | <u>(32,317)</u>   | <u>(32,317)</u>   | <u>(3,974)</u>   | <u>(32,317)</u>            | <u>(32,317)</u>   |
| Total Nonoperating Rev (Exp)             | <u>53,435</u>                      | <u>(4,785)</u>    | <u>(4,785)</u>    | <u>(3,354)</u>   | <u>(4,785)</u>             | <u>(4,748)</u>    |
| Income (Loss) Before Operating Transfers | <u>329,723</u>                     | <u>321,599</u>    | <u>321,599</u>    | <u>30,704</u>    | <u>321,599</u>             | <u>321,636</u>    |
| <b>Operating Transfers</b>               |                                    |                   |                   |                  |                            |                   |
| Debt Service Principal                   | 67,492                             | 12,675            | 12,675            | 1,169            | 12,675                     | 12,675            |
| Debt Service Interest                    | 154,238                            | 179,902           | 179,902           | 7,767            | 179,902                    | 179,902           |
| Discretionary Debt                       | 29,572                             | 28,934            | 28,934            | 0                | 28,934                     | 28,934            |
| Other Contractual Obligations            | 0                                  | 474               | 474               | 0                | 474                        | 474               |
| Equipment Acquisition                    | 8,145                              | 17,862            | 17,862            | 0                | 17,862                     | 17,862            |
| CUS General Purpose Fund                 | 0                                  | 49,752            | 49,752            | 0                | 49,752                     | 49,789            |
| Transfer to General Fund                 | 4,100                              | 2,000             | 2,000             | 0                | 2,000                      | 2,000             |
| Transfer to Combined Utility System      | 56,076                             | 0                 | 0                 | 0                | 0                          | 0                 |
| Transfer to Stormwater                   | 10,100                             | 30,000            | 30,000            | 0                | 30,000                     | 30,000            |
| Total Operating Transfers                | <u>329,723</u>                     | <u>321,599</u>    | <u>321,599</u>    | <u>8,936</u>     | <u>321,599</u>             | <u>321,636</u>    |
| Net Current Activity                     |                                    |                   |                   |                  |                            |                   |
| Operating Fund Only                      | \$ <u>0</u>                        | \$ <u>0</u>       | \$ <u>0</u>       | \$ <u>21,768</u> | \$ <u>0</u>                | \$ <u>0</u>       |

**About the Fund:**

The Combined Utility System Fund is an enterprise fund which accounts for operation of the City's water and wastewater facilities. The fund provides for the operation of the City's treated and untreated water, as well as, receive and process wastewater generated in a service area that includes the City, certain municipalities and unincorporated communities in the Houston metropolitan area. Some of the City's largest customers are other cities and water authorities which supply water to their own customers.